



**DEFENSE CONTRACT AUDIT AGENCY**  
**DEPARTMENT OF DEFENSE**  
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IN REPLY REFER TO

PAC 730.31/2000-6

30 June 2000  
00-PAC-057(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA**  
**DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT:** Audit Guidance on Certification Requirement for CAS Cost Impact Proposals

**SUMMARY**

Questions have been raised as to whether contractors are required to certify CAS cost impact proposals. Pursuant to FAR 15.403-4, cost or pricing data and a certificate of current cost or pricing data are required for the modification of any sealed bid or negotiated contract unless one of the exceptions provided in FAR 15.403-1 applies. Contract modifications made under the CAS clause (FAR 52.230-2 and 3) do not fall under any of the exceptions. However, this requirement applies to the individual modification, not to the cost impact proposal itself. The timing of the certificate is as of the date of agreement on price. Therefore, no certificate is required at the time of submission of cost impact proposals. It is the contracting officer's responsibility to obtain a certificate of current cost or pricing data before completing the contract modification(s). Accordingly, the auditor should not return the cost impact proposal to the contractor solely because the proposal did not accompany a certificate of current cost or pricing data.

**GUIDANCE**

Subject to the exceptions provided in FAR 15.403-1, the requirement for cost or pricing data applies to any contract modifications over \$500,000. There is no exception for pricing adjustments made under the CAS Clause. FAR 15.403-4(a)(1) states in part:

Unless an exception applies, cost or pricing data are required before accomplishing any of the following actions expected to exceed the current threshold or, in the case of existing contracts, the threshold specified in the contract:

- (i) The award of any negotiated contract (except for undefinitized actions such as letter contracts).
- (ii) The award of a subcontract at any tier, if the contractor and each higher-tier subcontractor have been required to furnish cost or pricing data (but see waivers at 15.403-1(c)(4)).

(iii) The modification of any sealed bid or negotiated contract (whether or not cost or pricing data were initially required) or any subcontract covered by paragraph (a)(1)(ii) of this subsection.

When cost or pricing data are required, FAR 15.403-4(b)(2) requires the contractor to submit to the contracting officer:

A Certificate of Current Cost or Pricing Data, in the format specified in 15.406-2, certifying that to the best of its knowledge and belief, the cost or pricing data were accurate, complete and current as of the date of agreement on price or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price

However, since it is the individual modification that triggers the certification requirement, a certificate is not required until a contract modification(s) results from the cost impact proposal and there is an agreement on price. In the absence of a contract modification and an agreement on price, no certificate is required. Accordingly, the auditor should not return the cost impact proposal to the contractor solely because the proposal did not accompany a certificate of current cost or pricing data.

Further, the \$500,000 threshold for obtaining cost or pricing data applies to a contract modification involving a price adjustment. The threshold does not apply to the cost impact proposal itself. Thus, even if the cost impact proposal itself exceeds the \$500,000 threshold, the resulting contract modification(s) can be below the threshold. In this case, no certificate of current cost or pricing data would be required. The application of the threshold primarily depends on how the cost impact is recognized, e.g., by modifying a single contract or several contracts. This is a contract administration matter, not an audit issue. Therefore, it is the contracting officer's responsibility to obtain a certificate of current cost or pricing data before completing the contract modification(s).

The cost or pricing data and certification requirement discussed above applies to all types of CAS cost impact proposals (i.e., mandatory, voluntary, desirable changes, and noncompliance).

In addition, DFARS 243.204-70 and 252.243-7002 require another type of certification, i.e., "Certification Of Requests For Equitable Adjustment." The DFARS provisions apply to cost impact proposals if the contractor requests equitable adjustment to defense contracts as a result of mandatory or desirable accounting practice changes in accordance with FAR 52.230-2(a)(4)(i) and (iii). The DFARS provisions require that any request for equitable adjustment to contract terms that exceeds the simplified acquisition threshold (\$100,000) be certified, as to good faith and data accuracy and completeness, at the time of submission. This threshold applies to equitable adjustments on a contract-by-contract basis, not to the cost impact proposal itself. Therefore, the DFARS equitable adjustment certification would not be required if the proposed equitable adjustment of each defense contract is less than \$100,000, even if the CAS cost impact proposal itself exceeds that amount.

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If FAO personnel have any questions, they should contact regional personnel. If regional personnel have any questions they should contact Ms. Hyosun Ro, Program Manager, Accounting and Cost Principles Division, at (703) 767-3250.

/signed/

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